

1 A bill to be entitled
2 An act relating to taxation; amending s.
3 193.155, F.S.; revising exceptions applicable
4 to damaged or destroyed homestead property to a
5 requirement that changes, additions, or
6 improvements to homestead property be assessed
7 at just value under certain circumstances;
8 providing for application to certain changes,
9 additions, and improvements; providing for
10 assessment of homestead property after
11 substantial completion of changes, additions,
12 and improvements; providing criteria; amending
13 s. 196.031, F.S.; providing for the continued
14 granting of a homestead exemption for certain
15 damaged or destroyed homestead property under
16 certain circumstances; specifying circumstances
17 for abandonment of property as homestead;
18 requiring the Department of Revenue to study
19 the state's property tax structure; providing
20 the contents of the study; requiring the Office
21 of Economic and Demographic Research to prepare
22 a report; requiring that the report recommend
23 changes to achieve specified principles of
24 taxation; providing deadlines; requiring a
25 report to the Governor and the Legislature;
26 repealing s. 12, ch. 2005-187, Laws of Florida,
27 relating to dissolving the Communications
28 Services Tax Task Force; providing
29 appropriations; providing for reversion of
30 unused funds to the General Revenue Fund;
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1 providing for retroactive application;
2 providing effective dates.
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4 Be It Enacted by the Legislature of the State of Florida:

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6 Section 1. Subsection (4) of section 193.155, Florida
7 Statutes, is amended to read:

8 193.155 Homestead assessments.--Homestead property
9 shall be assessed at just value as of January 1, 1994.

10 Property receiving the homestead exemption after January 1,
11 1994, shall be assessed at just value as of January 1 of the
12 year in which the property receives the exemption.

13 (4)(a) Except as provided in paragraph (b), changes,
14 additions, or improvements to homestead property shall be
15 assessed at just value as of the first January 1 after the
16 changes, additions, or improvements are substantially
17 completed.

18 (b) Changes, additions, or improvements that replace
19 all or do not include replacement of a portion of homestead
20 real property damaged or destroyed by misfortune or calamity
21 shall not increase the homestead property's assessed value
22 when the square footage of the homestead property as changed
23 or improved does not exceed 110 percent of the square footage
24 of the homestead property before the damage or destruction
25 just value of the damaged or destroyed portion as replaced is
26 not more than 125 percent of the just value of the damaged or
27 destroyed portion. Additionally, the homestead property's
28 assessed value shall not increase if the total square footage
29 of the homestead property as changed or improved does not
30 exceed 1,500 square feet. Changes, additions, or improvements
31 that do not cause the total to exceed 110 percent of the total

1 square footage of the homestead property before the damage or
 2 destruction or that do not cause the total to exceed 1,500
 3 total square feet shall be reassessed as provided under
 4 subsection (1). The homestead property's assessed value shall
 5 be increased by the just value of that portion of the changed
 6 or improved homestead property~~any replaced real property, or~~
 7 ~~portion thereof,~~ which is in excess of 110 ~~125~~ percent of the
 8 square footage of the homestead property before the damage or
 9 destruction or of that portion exceeding 1,500 square feet
 10 ~~just value of the damaged or destroyed property shall be~~
 11 ~~deemed to be a change, addition, or improvement. Homestead~~
 12 ~~Replaced real property damaged or destroyed by misfortune or~~
 13 calamity which, after being changed or improved, has a square
 14 footage with a just value of less than 100 percent of the
 15 homestead ~~original~~ property's total square footage before the
 16 damage or destruction ~~just value~~ shall be assessed pursuant to
 17 subsection (5). This paragraph applies to changes, additions,
 18 or improvements commenced within 3 years after the January 1
 19 following the damage or destruction of the homestead.

20 (c) Changes, additions, or improvements that replace
 21 all or a portion of real property that was damaged or
 22 destroyed by misfortune or calamity shall be assessed upon
 23 substantial completion as if such damage or destruction had
 24 not occurred and in accordance with paragraph (b) if the owner
 25 of such property:

26 1. Was permanently residing on such property when the
 27 damage or destruction occurred;

28 2. Was not entitled to receive homestead exemption on
 29 such property as of January 1 of that year; and

30 3. Applies for and receives homestead exemption on
 31 such property the following year.

1 ~~(d)(e)~~ Changes, additions, or improvements include
2 improvements made to common areas or other improvements made
3 to property other than to the homestead property by the owner
4 or by an owner association, which improvements directly
5 benefit the homestead property. Such changes, additions, or
6 improvements shall be assessed at just value, and the just
7 value shall be apportioned among the parcels benefiting from
8 the improvement.

9 Section 2. Subsection (7) is added to section 196.031,
10 Florida Statutes, to read:

11 196.031 Exemption of homesteads.--

12 (7) When homestead property is damaged or destroyed by
13 misfortune or calamity and the property is uninhabitable on
14 January 1 after the damage or destruction occurs, the
15 homestead exemption may be granted if the property is
16 otherwise qualified and if the property owner notifies the
17 property appraiser that he or she intends to repair or rebuild
18 the property and live in it as his or her primary residence
19 after it is repaired or rebuilt and does not claim a homestead
20 exemption on any other property or otherwise violate this
21 section. Failure by the property owner to commence the repair
22 or rebuilding of the homestead property within 3 years after
23 January 1 following its damage or destruction constitutes
24 abandonment of the property as a homestead.

25 Section 3. (1) The Department of Revenue shall
26 conduct a study of the state's property tax structure to
27 analyze the impact of the current homestead exemptions and
28 homestead assessment limitations on different types of
29 property.

30 (a) The study shall include:
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- 1 1. An analysis of the effects of Save Our Homes
2 provisions of s. 4(c), Art. VII of the State Constitution on
3 the distribution of property taxes among and between homestead
4 properties as well as between homesteads and other types of
5 property;
- 6 2. An analysis of the effect of the Save Our Homes
7 provisions of s. 4(c), Art. VII of the State Constitution on
8 affordable housing, as evidenced by the differential tax
9 burden on first-time homestead property owners and long-term
10 homestead property owners and the amendment's effect on
11 property taxes paid by nonhomestead residential property
12 owners;
- 13 3. The identification and analysis of the impact of
14 the differential under the Save Our Homes provisions of s.
15 4(c), Art. VII of the State Constitution on each county;
- 16 4. An analysis of the effects of the Save Our Homes
17 provisions of s. 4(c), Art. VII of the State Constitution on
18 the distribution of the school property taxes, including the
19 required local effort levy for the Florida Education Finance
20 Program, and other school levies;
- 21 5. An analysis of the fiscal impacts of allowing the
22 assessments under the Save Our Homes provisions of s. 4(c),
23 Art. VII of the State Constitution to be transferred to newly
24 acquired homes, the resulting changes in the relative taxes
25 levied on all other classes of property, including other
26 homestead properties, nonhomestead properties and properties
27 purchased by first-time homestead owners, and in the
28 distribution of the required local effort for school funding;
29 and
- 30 6. An analysis of the millage rates adopted by local
31 governments compared to the rolled back rate as advertised in

1 the Truth In Millage (TRIM) Notices required under s. 200.069,
2 Florida Statutes.

3 (b) The Department of Revenue shall prepare a draft of
4 the study by November 15, 2006, and conclude the study by
5 January 2, 2007.

6 (2) The Office of Economic and Demographic Research
7 shall prepare a report summarizing the study conducted by the
8 Department of Revenue. The report must also contain findings
9 and policy options that may be available to the state. In
10 preparing the report, the Office of Economic and Demographic
11 Research may consider other available information.

12 (a) In addition to findings and policy options, the
13 report must include:

14 1. An evaluation of the assessment differentials under
15 the Save Our Homes provisions of s. 4(c), Art. VII of the
16 State Constitution on homeowners' willingness to purchase a
17 new homestead.

18 2. An evaluation of the effects of the Save Our Homes
19 provisions of s. 4(c), Art. VII of the State Constitution on
20 local government budget decisions, including whether the Truth
21 In Millage (TRIM) notification process under s. 200.069,
22 Florida Statutes, adequately informs taxpayers of local
23 governments' tax and budget decisions.

24 3. An evaluation of the effectiveness of the notice of
25 proposed property taxes and non-ad valorem assessments created
26 under s. 200.069, Florida Statutes. If the current notice is
27 deemed ineffective, the evaluation should propose alternative
28 methods of conveying the information contained in the notice.

29 (b) The findings and policy options must apply and
30 consider the following principles of taxation described in the
31 2002 Florida State Tax Reform Task Force Final Report:

1 1. Equity.--The Florida tax system should treat
2 individuals equitably. It should impose similar tax burdens on
3 people in similar circumstances and should minimize
4 regressivity.

5 2. Compliance.--The Florida tax system should
6 facilitate taxpayer compliance. The system should be simple
7 and easy to understand so as to minimize compliance costs and
8 increase the visibility and awareness of the taxes being paid.
9 Enforcement and collection of tax revenues should be
10 accomplished in a fair, consistent, professional, predictable,
11 and cost-effective manner.

12 3. Pro-competitiveness.--The Florida tax system should
13 be responsive to interstate and international competition in
14 order to encourage savings and investment in physical plants,
15 equipment, people, and technology in this state.

16 4. Neutrality.--The Florida tax system should affect
17 competitors uniformly and not become a tool for social
18 engineering. The system should minimize government involvement
19 in investment decisions, making any such involvement explicit,
20 and should minimize pyramiding.

21 5. Stability.--The Florida tax system should produce,
22 in a stable and reliable manner, revenues that are sufficient
23 to fund appropriate governmental functions and expenditures.

24 6. Integration.--The Florida tax system should balance
25 the need for integration of federal, state, and local
26 taxation.

27 (c) The Office of Economic and Demographic Research
28 shall submit a progress report to the President of the Senate
29 and the Speaker of the House of Representatives by February
30 15, 2007. The progress report may include preliminary findings
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1 and any policy options that may be considered during the 2007
2 regular legislative session.

3 (d) The final report must be submitted to the
4 Governor, the President of the Senate, the Speaker of the
5 House of Representatives, and the chair of the Taxation and
6 Budget Reform Commission no later than September 1, 2007.

7 (e) The Office of Economic and Demographic Research
8 may contract with state universities or a nationally
9 recognized property appraisal education and certification
10 organization for the purpose of developing findings and policy
11 options to be included in the report.

12 Section 4. Section 12 of chapter 2005-187, Laws of
13 Florida, is repealed.

14 Section 5. The sum of \$300,000 in nonrecurring general
15 revenue is hereby appropriated to the Department of Revenue
16 for the purpose of conducting the study required by this act.

17 Section 6. The sum of \$500,000 in nonrecurring general
18 revenue is hereby appropriated to the Office of Economic and
19 Demographic Research for the purpose of preparing the report
20 required by this act.

21 Section 7. The unexpended balance of funds
22 appropriated in section 13 of chapter 2005-187, Laws of
23 Florida, shall revert immediately to the General Revenue Fund.

24 Section 8. Sections 1 and 2 of this act shall apply
25 retroactively to homestead property replaced on or after
26 January 1, 2006.

27 Section 9. Except as otherwise expressly provided in
28 this act, this act shall take effect upon becoming a law.

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